



Llywodraeth Cymru
Welsh Government

www.wales.gov.uk

Welsh European Funding Office

European Structural Funds Programmes 2014-2020

Applying for EU Funding – Part 2: The Business Planning Stage

Completing the Business Plan Template and the Selection Criteria

Version: 2.0

Date: September 2017



1. Purpose of Guidance

- 1.1 This document is the second of a two part suite of guidance for potential beneficiaries seeking EU funding.
- 1.2 This selection process is also designed to provide synergies with the Better Business Case model of project development as outlined by the ‘Green Book Guidance on Public Sector Business Cases Using the Five Case Model’ - October 2012.
- 1.3 This guidance document for EU potential beneficiaries details the Business Planning stage, which involves the development of the business plan and the formal assessment of the operation, using the selection criteria. The guidance also briefly covers the approval of the operation and the mobilisation phase.
- 1.4 The primary template for use during this stage will be the business plan template for the 2014 – 2020 Programmes. This guidance version (September 2017) should be used in conjunction with the business plan template (September 2017). The business plan template will be made available by WEFO once the proposed operation has been formally invited into the Business Planning stage.

2. Overview of the Selection Criteria

- 2.1 WEFO is required through European regulations¹ to produce a set of criteria to be used during the ‘selection of operations’ (i.e. the project selection process). These criteria must be applied consistently to all potential operations assessed by WEFO.
- 2.2 The nine selection criteria used for the selection of operations under the 2014 – 2020 Structural Fund programmes are as follows:
- **Strategic Fit**
 - **Delivery**
 - **Financial & Compliance**
 - **Management of Operation**
 - **Indicators & Outcomes**
 - **Value for Money**
 - **Long Term Sustainability**
 - **Cross Cutting Themes**
 - **Suitability of Investment**
- 2.3 These nine criteria are divided into three ‘core’ criteria and six further criteria. The three ‘core’ criteria of Strategic Fit, Delivery and Financial & Compliance are usually assessed before the remaining six criteria.

¹ Article 125 3 (a) – (g) of the EU Regulation 1303/2013 Common & General Provisions

2.4 The purpose of the three core criteria is to provide an initial challenge to the proposal. Within these three criteria, all aspects of the proposal are assessed to a certain level of detail; however the emphasis is placed on the strategic fit of the proposal with the relevant Operational Programme and the Economic Prioritisation Framework (EPF), initial financial and compliance checks and the initial delivery plans.

2.5 Once the three ‘core’ criteria have been successfully assessed then the remaining six selection criteria can be addressed.

2.6 A potential beneficiary *may* be invited to address all nine criteria at once, with all criteria then assessed at the same time. This will be agreed on a case by case basis.

2.7 The overall aim should be to tackle as soon as possible the most significant issues that could prevent the proposal being fully considered.

2.8 The following diagram illustrates the relationship between the nine selection criteria.

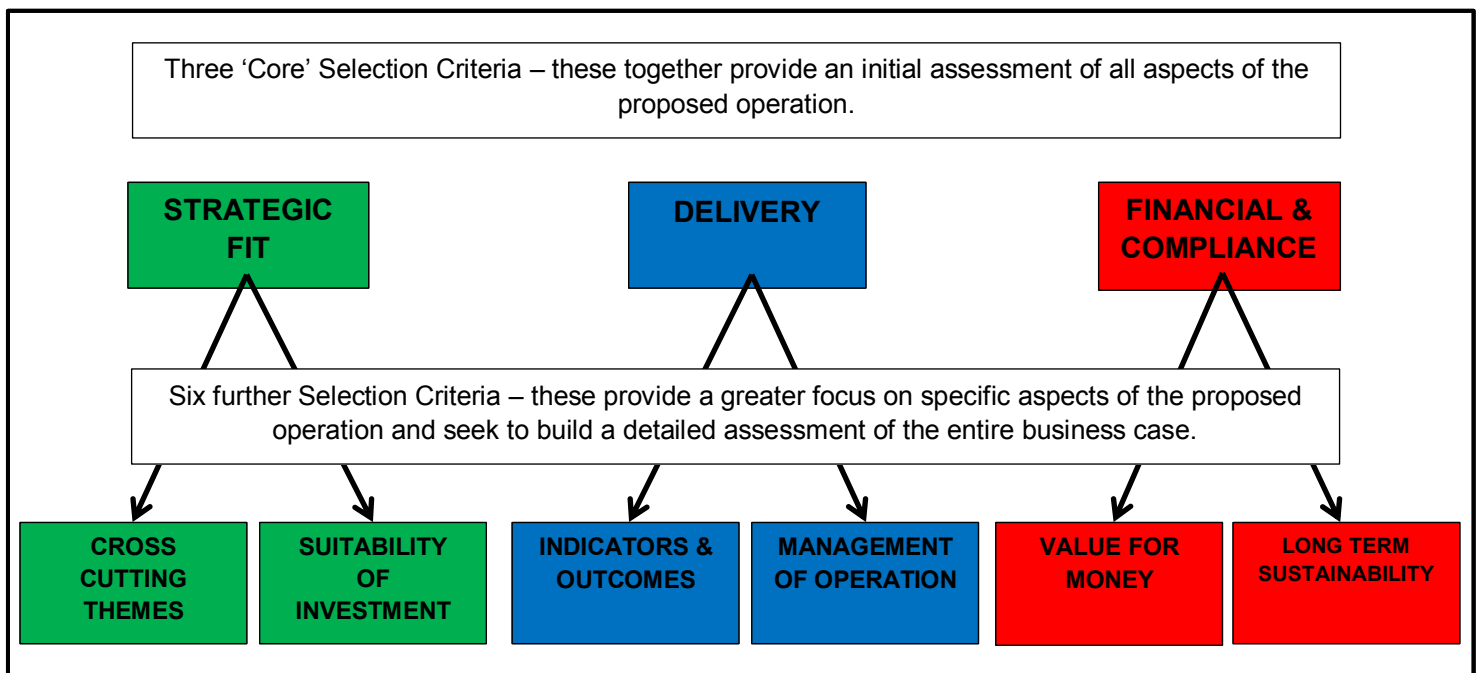


Diagram 1: The Nine Selection Criteria

3. The Assessment Methodology and the Completion of the Business Plan

3.1 The business plan template will be provided by WEFO once the proposed operation has been formally invited into the Business Planning stage.

3.2 The business plan template is, in most cases, to be completed and assessed in stages in line with the assessment of the selection criteria. Therefore, the ‘core’ criteria sections of Strategic Fit, Delivery and Financial & Compliance will be

completed initially. If any potential significant issues have been identified during the Pre Planning stage under any of these core criteria, then you may be asked to just complete one or two of the core criteria initially for assessment.

3.3 The completion of the core criteria assessments provides an opportunity for WEFO to review the proposed operation as a whole. Any issues subsequently identified will then be used to inform the evidencing and assessment of the remaining six criteria.

3.4 Diagrams 2 and 3 outline the methodology for the assessment of the three core selection and six further selection criteria respectively.

Diagram 2: Flow diagram illustrating the methodology for the assessment of the three core selection criteria

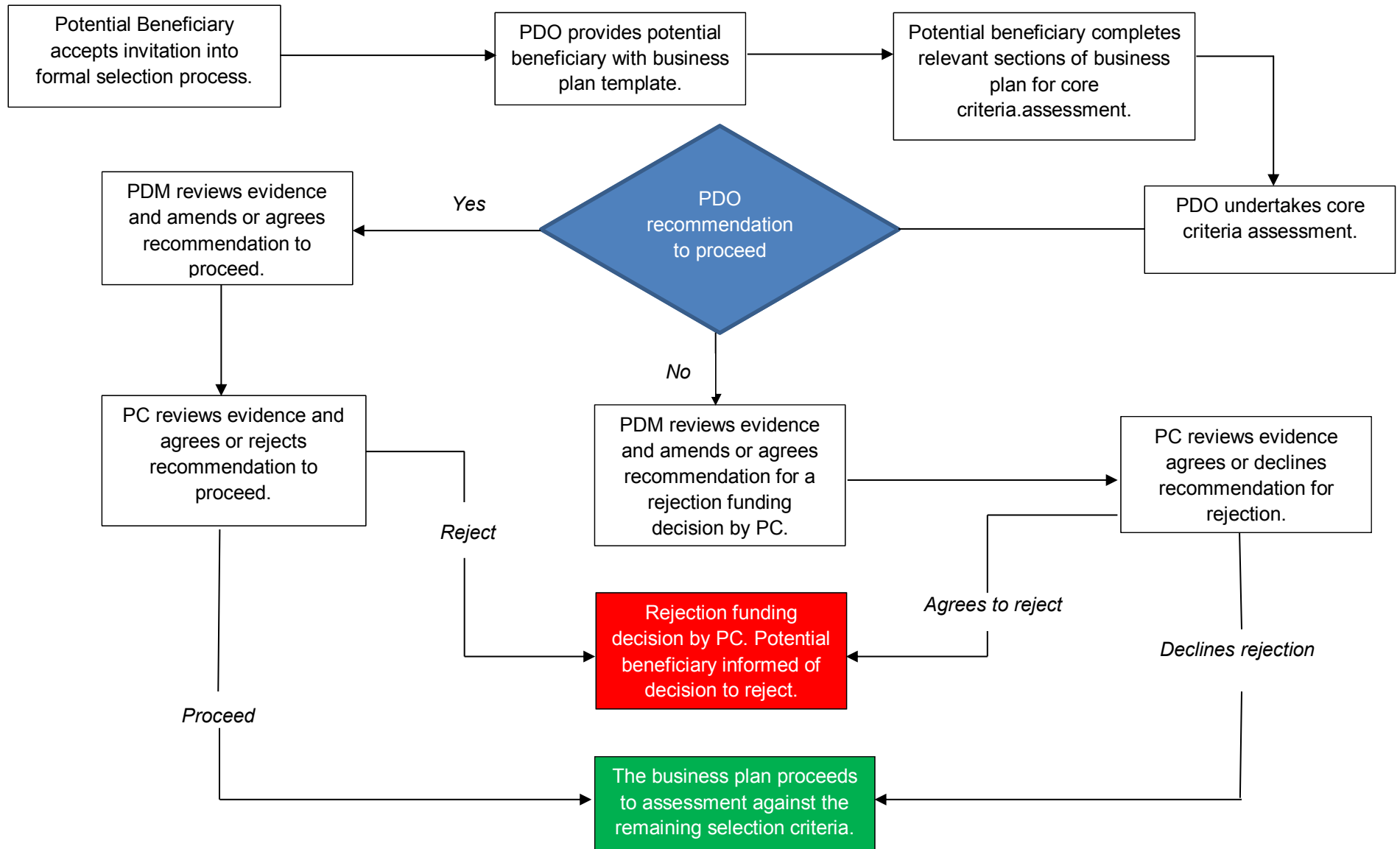
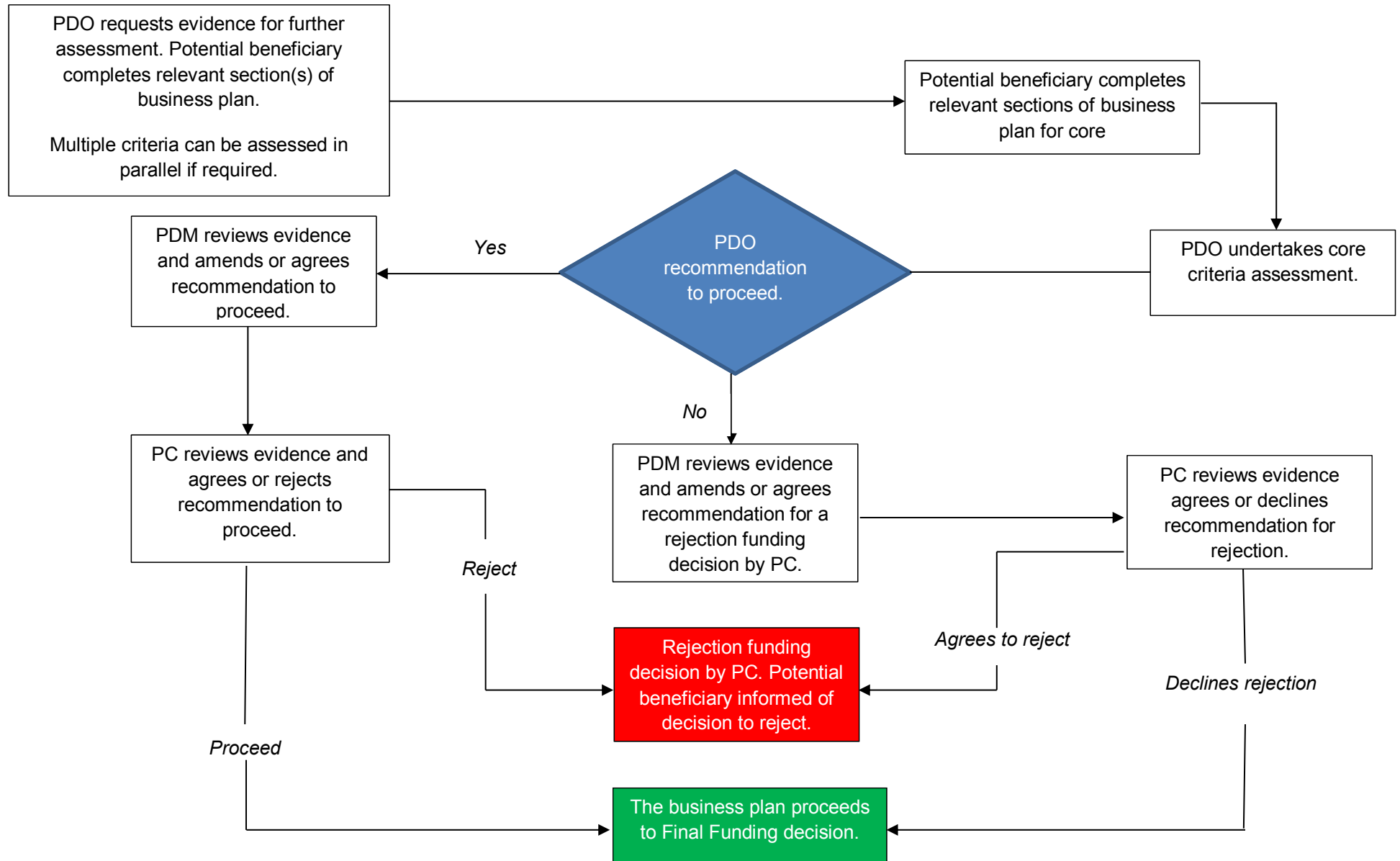


Diagram 3: Flow diagram illustrating the methodology for the assessment of the further selection criteria



3.5 Key Points on the Methodology

- 3.5.1 Once you have been assigned a PDO and have received the business plan template, you will be directed to focus on completing the core criteria that will be initially assessed.
- 3.5.2 If possible a timescale for submission of the various sections of the business plan should be agreed between the PDO and the potential beneficiary. This should be based on the estimated time needed to provide robust answers within the business plan to all of the evidence requirements under the relevant criteria. In the event that multiple criteria are being assessed in parallel, additional time may be required, depending on the ability of the potential beneficiary to provide robust answers against the combined evidence requirements.
- 3.5.3 The PDO may need to hold regular discussions to gauge your progress in meeting the required evidence. Agreed dates for the assessment of the criteria can be amended if this proves necessary.
- 3.5.4 If the PDO is aware that the information received within the business plan section will not be sufficient but that there is a realistic prospect of additional information being provided that will raise the potential criterion rating(s) within an acceptable timescale then the date for assessment can be extended accordingly.
- 3.5.5 NOTE: Each time the Business Plan is submitted for assessment you should receive an acknowledgement of receipt from WEFO.**
- 3.5.6 Criteria assessment and the awarding of ratings are covered in more detail under section 4.

A Note on Delivery Models for Operations

- The European Commission defines a 'project' in a precise way: any activity that is delivered through a beneficiary and funded through EU funds. Therefore, every beneficiary within an operation will run a distinct project.
- Guidance on delivery models is available here: <http://gov.wales/funding/eu-funds/2014-2020/wefo-guidance/delivery-models/?lang=en>

4 Criterion Assessment and the Rating Award

4.1 Each criterion section in the business plan template is structured around a number of evidence requirements.

4.2 The proposed operation will be assessed by WEFO against the quality of the answers provided against those evidence requirements.

4.3 The PDO will assess the evidence provided and recommend a rating.

4.4 This rating is then confirmed or amended by the PDM who will undertake their own assessment.

4.5 Individual evidence requirements may result in a finding of 'Inadequate'. Such a result will require an assessment of the risk posed to the proposal as a whole. If the level of risk is assessed as being unacceptable, then the proposal will be awarded a "Minimal" rating (section 5 explains the ratings). In this event, the PC will confirm if this rating is appropriate and undertake a funding decision which may result in the proposal being rejected.

4.6 In the event of a proposal being awarded a 'Low', 'Medium' or 'High' rating, then the PDO and PDM can progress the plan to the point where it can be passed to PC for a final funding decision.

4.7 Definition of Criterion Ratings and Specialist Advice

4.7.1 As stated, the rating awarded to a proposal for each criterion is dependent on the quality of the evidence provided against the specific evidence requirements identified in the relevant section of the business plan template.

The definitions to be applied to each of the selection criteria are as follows

MINIMAL
The beneficiary has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The beneficiary has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The beneficiary has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a <u>low level of risk</u> .
HIGH
The beneficiary has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

- 4.7.2 These definitions are provided for potential beneficiaries to promote transparency in decision making and greater consistency in the awarding of criteria assessment ratings.

Targeted Match Funding (TMF)

- 4.7.3 Please note that TMF revenue funding will be prioritised for those operations within the third sector, Territorial Cooperation programmes or the innovation and collaboration sector.
- 4.7.4 The capital TMF budget for the 2014 – 2020 programmes will be operated by the Welsh Government (WG) Housing and Regeneration department. WEFO has no involvement with the appraisal process for this budget. Any proposed operation seeking a contribution from the capital TMF budget should be referred to the Housing and Regeneration department for consideration. Ideally, the proposed operation should have commenced discussions with that department during any initial wider policy and stakeholder engagement.

5 The Approval Process and Mobilisation

Approval

- 5.1 Once all sections of the business plan are complete the proposal should be assessed against all nine selection criteria. You may be asked to review your business plans with a view to strengthening earlier sections if possible.

Mobilisation

- 5.2 As explained in the glossary, the mobilisation phase allows time for operations to prepare to deliver against their indicator and spend profiles. Therefore, the list of milestones that the operation will need to achieve during the mobilisation period should be fully understood and profiled at approval. Not all operations will necessarily need a mobilisation phase, but it is anticipated that the majority will need at least some time to undertake preparation activities before commencing delivery. The length of the mobilisation phase will be defined at approval, and regular review meetings must be held (again, to be profiled at approval). The mobilisation phase will not usually exceed 12 months.
- 5.3 Typical mobilisation milestone activities may include staff recruitment or procurement exercises. Any activity identified as necessary to deliver the operation (providing it is eligible) can be identified as a milestone. There are two types of milestones;
- (i) **Mobilisation Milestones** - Those associated with the mobilisation of the operation (please see the glossary for further explanation). Any mobilisation phase that is due to last more than 12 months must be agreed by the Head of Division prior to approval.
 - (ii) **Post-approval Milestones** - Those associated with the delivery of the operation as set out in the Business Plan. Milestones are assessed on a case-by-case basis, to be agreed with the beneficiary.

- 5.4 The funding agreement constitutes full approval; the mobilisation phase does not bring in any conditional approval status. It is however a period during which WEFO will provide close support and monitoring to ensure that milestones are being achieved in a timely fashion and will offer support for any issues encountered during mobilisation. Issues will be addressed wherever possible, and agreed timescales for the achievement of mobilisation milestones as a whole can be extended if appropriate. However, any continued drift will be discouraged and ultimately a failure to mobilise effectively may lead to the withdrawal of the offer of grant.
- 5.5 Once all the milestones associated with the mobilisation phase are successfully achieved, then a final mobilisation review will be undertaken and the mobilisation phase closed. Operations will then enter the delivery stage, with ongoing regular review meetings.
- 5.6 It is suggested that this final mobilisation review meeting would be a good opportunity to revisit the delivery profile, as many of the factors that could cause delivery profile issues should then be complete (such as procurement).

6 Glossary of Terms

Co-financing

Eligible expenditure on an operation to be funded by national public or private sources (i.e. not the EU).

Common Provisions Regulation

EU Regulation No 1303/2013 that sets down the common regulatory provisions for the European Structural and Investment Funds i.e. ERDF, ESF, Cohesion fund, EAFRD and EMFF programmes for the 2014-2020 period.

Economic Prioritisation Framework (EPF)

The EPF will help to guide the use of EU funding over the 2014–2020 programme period by setting it within a broader investment context. It provides an overview of areas of key economic opportunity in Wales, highlighting important investments which are underway or being planned. Guidance on the EPF is available from the WEFO website.

Intermediate Body

Where WEFO has designated an Intermediate Body (IB), e.g. another Welsh Government department or the WCVA to help manage operations involving many projects, such as a grant scheme, the IB will select beneficiaries and award funding in an operation approved by WEFO.

Joint Beneficiary

A partner organisation responsible for initiating and/or managing and/or implementing part of an operation. Assessed and approved by the managing authority to incur eligible expenditure and be reimbursed on the same basis as the (lead) beneficiary.

Lead Beneficiary

The organisation that receives a funding award from the managing authority, or intermediate body, in order to manage, or manage and implement, an operation.

Mobilisation phase

The mobilisation phase is a formal acknowledgement that an operation requires a period of time to prepare to deliver the agreed indicators and activities. Mobilisation milestones will be agreed between WEFO and the beneficiary during the business planning stage. These milestones will consist of activities that are necessary for the operation to commence delivery. WEFO will offer support and monitor the achievement of these milestones. Once WEFO agree that all milestones are successfully completed the operation will have successfully completed the mobilisation phase. An operation may also identify set milestones post mobilisation to record the achievement of certain key elements of the operation (e.g. such as the completion of any built premises).

Net Present Value

The recommended approach for analysing the value of money of operations within the public sector. Net Present Value is the sum of discounted costs and benefits over the

lifetime of the proposal. Costs are 'discounted' in order to compare the costs and benefits that occur in different time periods. The discount rate used in public sector projects is set by HM Treasury and is currently set at 3.5% per year (as referenced by the 'Green Book Guidance on Public Sector Business Cases Using the Five Case Model' – October 2012).

Net Revenue

Cash in-flows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short life equipment incurred during the corresponding period. Operating cost savings generated by the operation shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

Operation

WEFO awards funding for an operation. The operation could comprise one or many projects, possible hundreds of projects in larger-scale grant schemes.

Operation Logic Table (OLT)

A template that is used to describe the logic underpinning a proposed operation during the initial stages of applying for EU funding. During the business planning stage and beyond the Operation Logic Table becomes a quick reference document to describe the purpose of the operation.

Priority Controller (PC)

An executive in the relevant WEFO Programme Management Division branch with overall responsibility for a specific priority, and for the programme generally.

Programme Performance Board

A board of WEFO officials, chaired by WEFO's Chief Operating Officer, which is responsible for planning, monitoring and directing the delivery of the European Structural Fund Programmes. The board is also responsible for making decisions and scrutinising certain operations under the 2014-2020 arrangements including those involving major projects, financial instruments and, at the discretion of the ERDF and ESF Programme Heads, those operations which after initial assessment are deemed to carry a higher degree of innovation and / or risk.

Project

Project is the actions/ activities carried out by a beneficiary in an operation. An operation with, for example, four beneficiaries therefore contains four projects. Put another way, the number of beneficiaries in an operation determines the number of individual projects.

Only WEFO, or in certain cases an Intermediate Body, can select beneficiaries (and as a consequence, approve projects).

Project Development Manager PDM

A manager in the relevant WEFO Programme Management Division branch with a supervisory responsibility for parts of the programme generally at priority level.

Project Development Officer (PDO)

The officer in the relevant WEFO Programme Management Division branch who will be the main contact for the appraisal of a proposal and for the ongoing review and engagement for approved operations. PDOs will generally have responsibility for a number of proposals and operations.

Simplified Costs

A payment model where eligible costs are calculated using pre-agreed flat-rate percentages, unit costs or single lump sum payments.